

INDIVIDUAL ENTITY AUDIT REPORT

SOUTHEASTERN DISTRICT HEALTH DEPARTMENT (VI)

For the Fiscal Years Ended June 30, 2004 and 2005



Report OP95605

Presentation by the

LEGISLATIVE SERVICES OFFICE

SERVING IDAHO'S

CITIZEN LEGISLATURE

LEGISLATIVE SERVICES' MISSION STATEMENT

The mission of the Legislative Services Office is to provide efficient, nonpartisan support services to Idaho's citizen legislators, to carry out legislative policies so as to strengthen the legislature's management as a separate branch of government, and to assist the legislature in carrying out its constitutional responsibilities to the highest standards of integrity and professional excellence. (Approved by the Legislative Council, January 20, 1994.)

LEGISLATIVE AUDITS' CHARGE

Legislative Audits, a division of Legislative Services, is charged by the Legislative Council to provide a financial audit of the statewide annual financial report prepared by the State Controller, as required by Idaho Code, Section 67-429. In addition to special reports and requested studies, Legislative Audits produces three types of audit reports and two types of management reports (described below) for the Joint Finance-Appropriations Committee and other interested parties. These audits, reports, and studies, which vary in scope, provide information for oversight of State finances for the legislature, government entities, and the public, as well as satisfying federal audit requirements.

<u>DESCRIPTION</u>	<u>LEVEL OF SCRUTINY</u>
<i>COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)</i>	Our opinion as to the fairness of presentation of the annual statewide financial statements; a reference to our report on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, and grants issued under separate cover in the State's <i>Single Audit</i> .
<i>STATEWIDE SINGLE AUDIT REPORT</i>	Our opinion on the schedule of expenditures of federal awards in relation to the State's basic financial statements taken as a whole; a report on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards; a report on compliance with requirements applicable to each major program, and on internal control over compliance in accordance with <i>OMB Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations)</i> ; recommendations to improve the State's financial/accounting system; and recommendations and questioned costs related to federal awards. In addition, the report includes the State's basic financial statements and the related opinion thereon.
<i>INDIVIDUAL ENTITY AUDIT REPORT</i>	Our opinion on the fairness of presentation of the entity's financial statements; a report on compliance, and on internal control over financial reporting, based on an audit of financial statements performed in accordance with Government Auditing Standards; if applicable, a report on compliance with requirements of each major program, and on internal control over compliance in accordance with <i>OMB Circular A-133</i> .
<i>MANAGEMENT REPORT ON FINANCIAL PROCEDURES</i>	A report based on specific procedures applied to the financial segments material to the statewide financial statement and an internal control review of those financial segments not deemed material to the statewide financial statements, or an audit of a major federal grant. Findings and recommendations are included, if applicable, to improve policies, procedures, compliance, controls, and the entity's overall efficiency.
<i>MANAGEMENT REPORT ON INTERNAL CONTROL</i>	A cyclical report highlighting the entity's internal control with findings and recommendations, if applicable, to improve the system to prevent errors, omissions, misrepresentations, oversights, and fraud, thus protecting State resources.

FOREWORD

PURPOSE OF AUDIT REPORT

Our fiscal/compliance audit of the Southeastern District Health Department (VI) was made to determine:

1. The adequacy and accuracy of the fiscal records and the reliability of the internal control system in order to issue an opinion on the fairness of the District's financial statements.
2. The degree of compliance with various State and federal requirements affecting the fiscal operations of the District.
3. The areas in the financial operations that could be improved.

SCOPE OF AUDIT

We examined the financial operations of the District for the fiscal years ended June 30, 2004 and 2005.

The audit was performed in accordance with auditing standards generally accepted in the United States of America and the fiscal/compliance section of the *Government Auditing Standards* published by the U.S. Government Accountability Office (GAO).

Information contained in this report was gathered from accounting and administrative records. We also interviewed District personnel.

AUDIT AUTHORIZATION

Reported to the Joint Finance-Appropriations Committee as directed by the Legislative Council of the Idaho Legislature, authorized by Idaho Code, Section 67-429.

ASSIGNED STAFF

Chris Farnsworth, CPA, Auditor-in-Charge
Randy Rhuman, CPA, Staff Auditor
Wade Kimball, Staff Auditor

ADMINISTRATION AND TECHNICAL REVIEW

Ray Ineck, CGFM, Manager, Legislative Audits Division
Thomas Haddock, CPA, CGFM, Managing Auditor

GRAPHIC LOGISTICS

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EXECUTIVE SUMMARY LEGISLATIVE AUDITS

SOUTHEASTERN DISTRICT HEALTH DEPARTMENT (VI)

PURPOSE AND SCOPE. We have audited the financial statements of Southeastern District Health Department (VI) for the fiscal years ended June 30, 2004 and 2005, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine whether the District's financial statements are materially accurate and reliable, and that the District complied with laws and regulations affecting fiscal operations.

CONCLUSION. We conclude that the District's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on the District's financial statements.

FINDINGS AND RECOMMENDATIONS. There are no findings and recommendations in this report.

PRIOR FINDINGS AND RECOMMENDATIONS. The prior report included two findings and recommendations, as described below.

PRIOR FINDING #1. Internal controls over the computerized receipting system are inadequate. The Family and Community Health Division provides immunizations, screenings, education, counseling, and other health related services. After clients receive services, they are directed to the intake counter to make payment, make a donation, and/or arrange to be billed at a later time. The District's procedures lacked some key controls that help ensure money is not misappropriated. Employees did not always use their own computer logins and passwords. All employees had access to change or delete client visit information and receivables without supervisor approval. Client records indicated vaccines were administered, but the information was not entered into the computerized receipting system. Computerized reports, available to monitor changes to electronic records, were not utilized. No reviews were made of changes to transactions or accounts receivable adjustments.

The District has made improvements in its internal controls related to receipting. Employees are required to use their own logins and passwords. Supervisors review and approve changes and adjustments. Written procedures are in place to document noted discrepancies and inform management. Computerized reports are used to monitor changes in client records and accounts. Transaction and accounts receivable adjustments and deletions are reviewed by management. **Status: CLOSED**

PRIOR FINDING #2. Lack of monitoring some contracts resulted in overbilling the State Department of Health and Welfare, and not voiding unissued food vouchers in a timely manner. The District received more than \$4.3 million from the Department of Health and Welfare through 65 different contracts during the audit period. Noncompliance with contract requirements was noted in three separate federal programs. In one instance, the District was reimbursed \$9,320 more than actual documented program costs. In another, the District billed and was paid for reporting costs of \$9,000; however, there were no documented expenditures

to support the billings. Both agreements related to these billings specified that reimbursements were to be for actual costs not to exceed the contract amount. Also, the District did not void unissued food vouchers for the WIC program in a timely manner. State WIC program rules state that unissued checks are to be voided by the last day of the month or within seven days, whichever is shorter, when the vouchers have not been picked up by the client. The District was not in compliance with this rule.

The District is monitoring contracts more closely to ensure contracts are not overbilled. The overbilled contracts have been discussed with the Department of Health and Welfare, and the issues have been resolved. Also, the District is now destroying unissued food vouchers per WIC guidelines. **Status: CLOSED**

AGENCY RESPONSE. The District has reviewed the report and is in general agreement with its contents.

FINANCIAL SUMMARY. The District receives its funding from a General Fund appropriation, federal grants, county funding, and fees for services. The financial statements of the District for fiscal years 2004 and 2005 follow.

SOUTHEASTERN DISTRICT HEALTH DEPARTMENT (VI) – FINANCIAL SUMMARY

	<u>June 30, 2004</u>	<u>June 30, 2005</u>
ASSETS		
Cash and Investments	\$3,880,242	\$4,064,562
Other Assets	<u>626,757</u>	<u>609,599</u>
Total Assets	<u>\$4,506,999</u>	<u>\$4,674,161</u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	\$89,373	\$76,012
Payroll and Benefits Payable	341,176	351,113
Deferred Revenue	<u>79,500</u>	<u>67,005</u>
Total Liabilities	<u>\$510,049</u>	<u>\$494,130</u>
Fund Balance	<u>\$3,996,950</u>	<u>\$4,180,031</u>
Total Liabilities and Fund Balance	<u>\$4,506,999</u>	<u>\$4,674,161</u>

	<u>June 30, 2004</u>	<u>June 30, 2005</u>
REVENUES		
Health and Professional Services	\$2,530,386	\$2,571,413
Interest	84,085	140,793
Federal Grants	2,592,368	2,735,676
State Grants	116,402	147,269
City/County Grants	901,868	912,014
Rent and Lease Income	5,760	0
General Fund Appropriation	<u>1,301,400</u>	<u>1,325,669</u>
Total Revenues	<u>\$7,532,269</u>	<u>\$7,832,834</u>
EXPENDITURES		
Current		
Administration and Board of Health	\$1,123,946	\$1,179,167
Family and Community Health	2,579,657	2,574,511
Environmental Health	627,890	674,419
Health Promotion	954,567	1,303,632
Home Health and Hospice	1,873,980	1,829,268
Capital Outlay	<u>581,459</u>	<u>88,756</u>
Total Expenditures	<u>\$7,741,499</u>	<u>\$7,649,753</u>
Excess (Deficiency) of Revenues		
Over-Expenditures – Net Change in Fund Balance	(\$209,230)	\$183,081
Beginning Fund Balance (Restated for 2004)	<u>4,206,180</u>	<u>3,996,950</u>
Ending Fund Balance	<u><u>\$3,996,950</u></u>	<u><u>\$4,180,031</u></u>

OTHER ISSUES. We discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of Southeastern District Health Department (VI) and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the director, Edward Marugg, and his staff.

QUESTIONS CONCERNING THIS AUDIT SHOULD BE DIRECTED TO:

Ray Ineck, CGFM, Manager, Legislative Audits Division

Thomas Haddock, CPA, CGFM, Managing Auditor

AGENCY RESPONSE



September 25 2006

Mr. Ray Ineck
Legislative Services Office
Statehouse
PO Box 83720
Boise, Idaho 83720-0054

Dear Mr. Ineck:

I have received and reviewed the audit report for the Southeastern District Health Department for FY 04 and 05. I am in agreement with the report as it stands. I am pleased the report indicated there were no findings or recommendation, as such; no corrective action was required on the District's part. I am aware, however, that an on-going review of our processes and procedures is essential, to ensure the continuation of good audit results in the future. As this Health District continues to change and grow, issues that we face on a daily basis are becoming increasingly complex. This requires vigilance on the District's part to review its internal controls on a regular basis; ensuring they are changed and/or strengthened as appropriate. I am committed to this process.

During the exit conference call, your staff identified areas where the District can make improvements. I intend to address all of these areas and make the appropriate changes. I will keep you informed of these changes.

I want to thank you and your staff for the work done. I appreciate the time and effort staff has taken to provide me with this valuable feedback.

Respectfully,

Edward A. Marugg
Director

PRIOR FINDINGS AND RECOMMENDATIONS

The prior report covered the fiscal years ended 2002 and 2003, and included two findings and recommendations. The following explains the status of these findings and recommendations.

PRIOR FINDING #1

Internal controls over the computerized receipting system were inadequate. The Family and Community Health Division provides immunizations, screenings, education, counseling, and other health related services. After clients receive services, they are directed to the intake counter to make payment, make a donation, and/or arrange to be billed at a later time. The District's procedures lacked some key controls that help ensure money is not misappropriated. The control weaknesses identified were:

1. Employees did not always use their own computer logins and passwords.
2. All employees had access to change or delete client visit information and receivables without supervisor approval.
3. Client records indicated vaccines were administered, but the information was not entered into the computerized receipting system.
4. Computerized reports, available to monitor changes to electronic records, were not utilized.
5. No reviews were made of changes to transactions or accounts receivable adjustments.

We recommended that the District improve internal controls over receipting by: (1) requiring employees to use their own personal computer logins and passwords; (2) requiring supervisors to review and approve changes and adjustments; (3) documenting noted discrepancies and informing upper level management; (4) using computerized reports to monitor changes in client accounts; and (5) reviewing transactions and account receivable adjustments and deletions.

STATUS: CLOSED

The District has made improvements in its internal controls related to receipting. Specifically: (1) employees are required to use their own logins and passwords; (2) supervisors review and approve changes and adjustments; (3) written procedures are in place to document noted discrepancies and inform management; (4) computerized reports are used to monitor changes in client records and accounts; and (5) transaction and accounts receivable adjustments and deletions are reviewed.

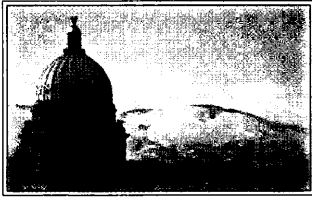
PRIOR FINDING #2

Lack of monitoring some contracts resulted in overbilling the State Department of Health and Welfare, and not voiding unissued food vouchers in a timely manner. The District received more than \$4.3 million from the Department of Health and Welfare through 65 different contracts during the audit period. Noncompliance with contract requirements was noted in three separate federal programs. In one instance, the District was reimbursed \$9,320 more than actual documented program costs. In another, the District billed and was paid for reporting costs of \$9,000; however, there were no documented expenditures to support the billings. Both agreements related to these billings specified that reimbursements were to be for actual costs not to exceed the contract amount. Also, the District did not void unissued food vouchers for the WIC program in a timely manner. State WIC program rules state that unissued checks are to be voided by the last day of the month or within seven days, whichever is shorter, when the vouchers have not been picked up by the client. The District was not in compliance with this rule.

We recommended that the District improve contract monitoring and that they contact the Department of Health and Welfare regarding the disposition of the overdrawn funds.

STATUS: CLOSED

The District is monitoring contracts more closely to ensure contracts are not overbilled. The overbilled contracts have been discussed with the Department of Health and Welfare, and the issues have been resolved. Also, the District is now destroying unissued food vouchers per WIC guidelines.



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

July 28, 2006

Unqualified Opinion on
Basic Financial Statements

Independent Auditor's Report

Joint Finance-Appropriations Committee
of the Idaho State Legislature
State Capitol Building
Statehouse Mail

Senators and Representatives:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Southeastern District Health Department (VI) as of and for the years ended June 30, 2004 and 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District as of June 30, 2004 and 2005, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of our audit.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Ray Ineck, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

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The District has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information contained in the required supplementary information on pages 20 and 21 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by *OMB Circular A-133*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yours truly,

A handwritten signature in black ink, appearing to read "Ray Ineck", written in a cursive style.

Ray Ineck, CGFM
Manager, Legislative Audits Division

STATE OF IDAHO
SOUTHEASTERN DISTRICT HEALTH DEPARTMENT (VI)
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2004 and 2005

	June 30, 2004 Governmental Activities	June 30, 2005 Governmental Activities
ASSETS		
Cash	\$152,121	\$165,648
Investments	3,728,121	3,898,914
Interagency Receivables	300,077	282,018
Accounts Receivable	278,601	310,044
Prepaid Expense	48,079	17,537
Capital Assets:		
Nondepreciable	40,736	40,736
Depreciable, Net	3,560,944	3,502,373
Total Assets	<u>\$8,108,679</u>	<u>\$8,217,270</u>
LIABILITIES		
Accounts Payable	\$89,373	\$76,012
Payroll and Benefits Payable	341,176	351,113
NONCURRENT LIABILITIES		
Due Within One Year	272,675	271,616
Total Liabilities	<u>\$703,224</u>	<u>\$698,741</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$3,601,680	\$3,543,109
Unrestricted	3,803,775	3,975,420
Total Net Assets	<u>\$7,405,455</u>	<u>\$7,518,529</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
SOUTHEASTERN DISTRICT HEALTH DEPARTMENT (VI)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004 AND 2005

<u>FY 2004</u>		<u>PROGRAM REVENUE</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>
<u>PROGRAMS</u>				
Governmental Activities:				
Administration and Board of Health	\$1,131,034	\$32,082	\$2,500	(\$1,096,452)
Family and Community Health Services	2,579,657	450,866	1,681,271	(447,520)
Environmental Health Services	627,890	126,988	221,128	(279,774)
Health Promotion	954,567	6,885	851,433	(96,249)
Home Health and Hospice	1,966,802	1,830,411	5,363	(131,028)
Total Governmental Activities	<u>\$7,259,950</u>	<u>\$2,447,232</u>	<u>\$2,761,695</u>	<u>(\$2,051,023)</u>
General Revenues:				
State General Support				\$1,232,400
Interest Income				84,084
County Contributions				901,868
Total General Revenues				<u>\$2,218,352</u>
Change in Net Assets				\$167,329
Beginning Net Assets as Restated				7,238,126
Ending Net Assets				<u>\$7,405,455</u>
 <u>FY 2005</u>				
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>
<u>PROGRAMS</u>				
Governmental Activities:				
Administration and Board of Health	\$1,314,429	\$34,834	\$2,883	(\$1,276,712)
Family and Community Health Services	2,574,511	542,639	1,514,824	(517,048)
Environmental Health Services	674,419	155,755	220,398	(298,266)
Health Promotion	1,309,796	19,911	1,179,330	(110,555)
Home Health and Hospice	1,834,110	1,823,343	7,914	(2,853)
Total Governmental Activities	<u>\$7,707,265</u>	<u>\$2,576,482</u>	<u>\$2,925,349</u>	<u>(\$2,205,434)</u>
General Revenues:				
State General Support				\$1,265,700
Interest Income				140,794
County Contributions				912,014
Total General Revenues				<u>\$2,318,508</u>
Change in Net Assets				\$113,074
Beginning Net Assets				7,405,455
Ending Net Assets				<u>\$7,518,529</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
SOUTHEASTERN DISTRICT HEALTH DEPARTMENT (VI)
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2004 AND 2005

	June 30, 2004 Special Revenue Fund	June 30, 2005 Special Revenue Fund
<u>ASSETS</u>		
Cash	\$152,121	\$165,648
Investments	3,728,121	3,898,914
Interagency Receivables	300,077	282,018
Accounts Receivable	278,601	310,044
Prepaid Expense	48,079	17,537
Total Assets	<u>\$4,506,999</u>	<u>\$4,674,161</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$89,373	\$76,012
Payroll and Benefits Payable	341,176	351,113
Deferred Revenue	79,500	67,005
Total Liabilities	<u>\$510,049</u>	<u>\$494,130</u>
Fund Balances		
Reserved for:		
Prepaid Items	\$48,079	\$17,537
Unreserved Special Revenue Fund	<u>3,948,871</u>	<u>4,162,494</u>
Total Fund Balance	<u>\$3,996,950</u>	<u>\$4,180,031</u>
Total Liabilities and Fund Balance	<u>\$4,506,999</u>	<u>\$4,674,161</u>

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

Total Fund Balances For Governmental Funds	\$3,996,950	\$4,180,031
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.	3,601,680	3,543,109
Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds. This consists of compensated absences.	(272,675)	(271,616)
Deferred revenue that is earned but will probably not be received in the near-term is not used in governmental activities and is, therefore, not included in the funds.	<u>79,500</u>	<u>67,005</u>
Net Assets of Governmental Activities	<u>\$7,405,455</u>	<u>\$7,518,529</u>

The accompanying notes are an integral part of these financial statements

STATE OF IDAHO
SOUTHEASTERN DISTRICT HEALTH DEPARTMENT (VI)
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004 AND 2005

	Year Ended June 30, 2004			Year Ended June 30, 2005		
	Special	Millennium	Total	Special	Millennium	Total
	Fund	Fund	Governmental	Fund	Fund	Governmental
	0290	0499	Funds	0290	0499	Funds
REVENUES						
Health and Professional Services	\$2,530,386	\$0	\$2,530,386	\$2,571,413	\$0	\$2,571,413
Interest	84,085	0	84,085	140,793	0	140,793
Federal Grants	2,592,368	0	2,592,368	2,735,676	0	2,735,676
State Grants	116,402	0	116,402	147,269	0	147,269
City/County Grants	901,868	0	901,868	912,014	0	912,014
Rent and Lease Income	5,760	0	5,760	0	0	0
General Fund Support	1,232,400	69,000	1,301,400	1,265,700	59,969	1,325,669
Total Revenues	<u>\$7,463,269</u>	<u>\$69,000</u>	<u>\$7,532,269</u>	<u>\$7,772,865</u>	<u>\$59,969</u>	<u>\$7,832,834</u>
EXPENDITURES						
Current						
Administration and Board of Health	\$1,123,946	\$0	\$1,123,946	\$1,179,167	\$0	\$1,179,167
Family and Community Health	2,579,657	0	2,579,657	2,574,511	0	2,574,511
Environmental Health	627,890	0	627,890	674,419	0	674,419
Health Promotion	885,567	69,000	954,567	1,243,663	59,969	1,303,632
Home Health and Hospice	1,873,980	0	1,873,980	1,829,268	0	1,829,268
Capital Outlay	581,459	0	581,459	88,756	0	88,756
Total Expenditures	<u>\$7,672,499</u>	<u>\$69,000</u>	<u>\$7,741,499</u>	<u>\$7,589,784</u>	<u>\$59,969</u>	<u>\$7,649,753</u>
Excess (Deficiency) of Revenues						
Over Expenditures - Net Change in Fund Balance	(\$209,230)	\$0	(\$209,230)	\$183,081	\$0	\$183,081
Beginning Fund Balance Restated for 2004	4,206,180	0	4,206,180	3,996,950	0	3,996,950
Ending Fund Balance	<u>\$3,996,950</u>	<u>\$0</u>	<u>\$3,996,950</u>	<u>\$4,180,031</u>	<u>\$0</u>	<u>\$4,180,031</u>

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

	FY 2004	FY 2005
Net Change in Fund Balances for Total Governmental Funds	(\$209,230)	\$183,081
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense.		
Capital outlays exceeded depreciation expense in the FY 04 and depreciation exceeded capital outlay in FY 05 by the following amounts:		
Capital Outlay	581,459	88,756
Depreciation Expense	(130,073)	(147,327)
Disposals of Capital Equipment resulted in a net loss of:	(6,520)	0
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(31,624)	(12,495)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This requires an adjustment for compensated absences.	(36,683)	1,059
Change in net assets of governmental activities	<u>\$167,329</u>	<u>\$113,074</u>

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE #1

SIGNIFICANT ACCOUNTING POLICIES REPORTING ENTITY

The Health District is not a State agency. In determining how to define Southeastern District Health Department (VI) for financial reporting purposes, management has considered all potential component units in accordance with *GASB Statement 14*, as amended by *GASB Statement 39*. The legislature created seven health districts throughout the State in 1970. In 1976, the legislature expressed specific intent that the districts were not to be considered State agencies, but were to be recognized as authorized governmental entities. Although the districts are not State agencies, all districts have opted to process their financial transactions through the State accounting system.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all activities of the District. These activities are financed through General Fund appropriations, county contributions, federal grants, and program revenues.

The Statement of Net Assets presents the District's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Investments in capital assets are net of accumulated depreciation and reduced by any outstanding debt.
2. Restricted net assets result when constraints placed on net asset use are externally imposed by contributors, by law, or by enabling legislation.
3. Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include fees and charges paid by recipients of goods or services offered by the program. Appropriations, contributions, interest income, and other items not

meeting the definition of program revenues are reported as general revenue.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are presented on the statement of net assets. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under governmental fund accounting, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the year end. Sales of services, interest, and federal grants are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

ASSETS, LIABILITIES, AND NET ASSETS

Cash and Cash Equivalents

The District's primary governmental fund cash and cash equivalents are considered to be cash on hand, and are on deposit with the State Treasurer's Office.

Investments

Investments are reported at fair value. Additional disclosure is identified in Note #2.

Accounts Receivable

The accounts receivable come from county contributions, federal grants, and client accounts.

Prepays

The District uses the consumption method of accounting for prepaid expenses.

Interagency Receivables

Interagency receivables are funds due from State agencies for contract services. The transfers are usually completed monthly.

Capital Assets

Purchased capital assets are reported at cost, or if the assets are donated, at market value at date of donation. Only capital assets

with a value of \$5,000 or greater are capitalized. Depreciation is recorded by use of the straight-line method. The value of each asset is reduced by equal amounts over its estimated useful life as follows:

	Estimated Useful <u>Life (Years)</u>
Equipment	3-30
Building/Improvements	10-50
Vehicles	5

Maintenance, repairs, and minor renewals are charged as operating expenses when incurred. When an asset is disposed of, accumulated depreciation is deducted from the original cost and any gain or loss arising from its disposal is credited or charged to operations.

Additional disclosures related to capital assets are provided in Note #5.

REVENUES AND EXPENDITURES/EXPENSES

In the Government-Wide Statement of Activities, revenues and expenses are segregated by function. Additionally, revenues are classified as program or general revenues. Program revenues include charges to clients or applicants for services provided and certain grants and contributions. General revenues include General Fund appropriation, county contribution, and interest.

In the governmental fund financial statements, revenues are reported by source, and expenditures are reported by function. The Special Revenue Fund is used to account for all of the District's activities, except tobacco cessation, which is accounted for in the Non-Major Fund.

DEFERRED REVENUE

Deferred revenue is recognized when revenue is received prior to being earned. In the governmental fund statements, deferred revenue is also recognized when revenue is earned but not available.

RESTATEMENTS

The beginning fiscal year 2004 net assets and fund balance were restated. The restatements were needed to convert from a cash basis of accounting to accounting completed in accordance with generally accepted accounting principles.

NOTE #2

CASH AND INVESTMENTS

The District participates in the State Treasurer's internal and external investment pools. The Idle Fund is an internal investment pool managed by the State Treasurer's Office on behalf of participants. Money not needed to meet immediate operating

obligations is invested in accordance with Idaho Code, Sections 67-1210 and 67-1210A. Participation in the pool is involuntary.

The District also participates in the Local Government Investment Pool, which is an external investment pool sponsored by the State Treasurer's Office. A copy of the State's *Comprehensive Annual Financial Report (CAFR)*, including the investment pool's financial statement, is available from the Office of the State Controller, Bureau of Reporting and Review.

Idaho Code restricts the State Treasurer to certain types of investments.

Credit Risk

The Local Government Investment Pool is unrated.

Interest Rate Risk

The following schedule represents the District's investments in the external investment pools and a distribution of the pools' maturities at June 30, 2004 and 2005:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
2004 Investment in External Investment Pool		
Local Government Investment Pool	\$3,728,121	1.2 years
2005 Investment in External Investment Pool		
Local Government Investment Pool	2,462,325	1.1 years
Diversified Bond Fund	1,436,589	3.9 years

The State Treasurer has an informal investment policy that limits certain investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

NOTE #3

COMPENSATED ABSENCES

The District is not part of the State, but has decided to follow State rules. District employee benefits include vacation and sick leave allowances. Overtime may be earned under provisions of the Fair Labor Standards Act and State law. Overtime is commonly referred to as "compensatory time" or "comp time," since employees may take time off for the accrued overtime. For the purposes of earning and accruing overtime, there are three general classes of employees:

1. Those who earn overtime at 1.5 times regular pay rates and may be paid for the overtime or take time off.
2. Those who earn overtime at the same rate as regular pay rates and may only take time off.
3. Those ineligible for overtime.

Under certain circumstances, employees eligible for overtime may accrue earned administrative leave on an hour-for-hour basis. Earned administrative leave is treated similarly to vacation leave

but is not subject to any limitation. Upon termination, the following accrued leave balances are paid:

1. Vacation leave
2. Earned administrative leave
3. Overtime for those eligible for payment

As of June 30, 2004 and 2005, the following total value of leave has been accrued by employees of Southeastern District Health Department (VI). These amounts are accrued in the government-wide financial statements when the benefit is incurred. A liability for the amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation or retirement.

CHANGES IN COMPENSATED ABSENCES

	<u>FY 2004</u>
Beginning Balance July 1, 2003	\$235,992
Increases	299,834
Decreases	<u>(263,151)</u>
Ending Balance June 30, 2004	<u>\$272,675</u>

The District estimates the amount due within one year is \$272,675. Compensated absences are paid from the District's main operating fund.

	<u>FY 2005</u>
Beginning Balance July 1, 2004	\$272,675
Increases	299,083
Decreases	<u>(300,142)</u>
Ending Balance June 30, 2005	<u>\$271,616</u>

The District estimates the amount due within one year is \$271,616. Compensated absences are paid from the District's main operating fund.

NOTE #4 PENSION PLAN

The Public Employee Retirement System of Idaho (PERSI), a cost-sharing, multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. Designed as a mandatory system for eligible state and school district employees, the legislation provided for political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits when they reach the age specified by their employment classification. For each year of credited service, the annual service retirement allowance is 2.0% or 2.3% (depending on employee classification) of the average monthly salary for the highest consecutive 42 months.

For the period from July 1, 2003 to June 30, 2004, the required contribution rate was 9.77% and 5.86%, and for the period from July 1, 2004 to June 30, 2005, the required contribution rate was 10.39% and 6.23% of covered payroll for the District and its employees, respectively. District contributions required and paid were \$344,489, \$365,562, and \$396,560, respectively, for the three years ended June 30, 2003, 2004, and 2005.

The PERSI Choice Plan is the State's defined contribution retirement plan. Statutes governing the PERSI Choice Plan are found in Idaho Code, Title 59, Chapter 13. Participants direct their own investment mix without restriction, and may elect to change their deferral every pay period.

NOTE #5

CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2004 and 2005 is as follows:

	Balances at July 1, 2003			Balances at June 30, 2004	
	As Adjusted	Increases	Decreases		
Governmental Activities:					
Capital Assets not being Depreciated:					
Land	\$0	\$40,736	\$0	\$40,736	
Total Capital Assets not Being Depreciated	\$0	\$40,736	\$0	\$40,736	
Capital Assets Being Depreciated:					
Buildings and Improvements	\$3,405,287	\$350,429	\$0	\$3,755,716	
Leasehold improvement	22,374	0	0	22,374	
Equipment	46,930	92,823	0	139,753	
Vehicles	287,354	97,470	(65,984)	318,840	
Total Capital Assets Being Depreciated	\$3,761,945	\$540,722	(\$65,984)	\$4,236,683	
Less Accumulated Depreciation for:					
Buildings and Improvements	(\$416,974)	(\$69,496)	\$0	(\$486,470)	
Leasehold improvement	(994)	(497)	0	(1,491)	
Equipment	(37,656)	(20,238)	0	(57,894)	
Vehicles	(149,506)	(39,842)	59,464	(129,884)	
Total Accumulated Depreciation	(\$605,130)	(\$130,073)	\$59,464	(\$675,739)	
Total Capital Assets Being Depreciated, Net	\$3,156,815	\$410,649	(\$6,520)	\$3,560,944	
Governmental Activities Capital Assets, Net	\$3,156,815	\$451,385	(\$6,520)	\$3,601,680	

	Balances at July 1, 2004 As Adjusted	Increases	Decreases	Balances at June 30, 2005
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$40,736	\$0	\$0	\$40,736
Total Capital Assets not Being Depreciated	\$40,736	\$0	\$0	\$40,736
Capital Assets Being Depreciated:				
Buildings and Improvements	\$3,755,716	\$77,750	\$0	\$3,833,466
Leasehold improvement	22,374	0	0	22,374
Equipment	139,753	11,006	0	150,759
Vehicles	318,840	0	0	318,840
Total Capital Assets Being Depreciated	\$4,236,683	\$88,756	\$0	\$4,325,439
Less Accumulated Depreciation for:				
Buildings and Improvements	(\$486,470)	(\$78,218)	\$0	(\$564,688)
Leasehold improvement	(1,491)	(497)	0	(1,988)
Equipment	(57,894)	(17,597)	0	(75,491)
Vehicles	(129,884)	(51,015)	0	(180,899)
Total Accumulated Depreciation	(\$675,739)	(\$147,327)	\$0	(\$823,066)
Total Capital Assets Being Depreciated, Net	\$3,560,944	(\$58,571)	\$0	\$3,502,373
Governmental Activities Capital Assets, Net	\$3,601,680	(\$58,571)	\$0	\$3,543,109

NOTE #6 LEASES

Depreciation is charged to General Support. In fiscal year 2004, depreciation was \$130,073, and in fiscal year 2005, depreciation was \$147,327.

Operating Leases

Operating leases are leases for which the District will not gain title to the asset. They contain various renewal options, as well as some purchase options. Operating lease payments are recorded as expenditures of the related funds when paid or incurred. The District's total operating lease expenditures for fiscal years 2004 and 2005 was \$18,857 and \$15,872, respectively.

The District had no capital leases in fiscal year 2004 or 2005.

Future minimum lease commitments for non-cancelable operating lease payments as of June 30, 2005 are:

<u>Operating Leases</u>	<u>Amount</u>
FY 2006	\$9,130
FY 2007	9,130
FY 2008	2,592
FY 2009-2015	0
Total	<u>\$20,852</u>

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF IDAHO
SOUTHEASTERN DISTRICT HEALTH DEPARTMENT (VI)
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State	\$1,209,000	\$1,232,400	\$1,232,400	\$0
County	901,868	901,868	901,868	0
Contracts	2,382,799	2,812,950	2,777,272	(35,678)
Fees	625,543	621,543	741,636	120,093
Interest	0	0	84,084	84,084
Home Health	1,894,559	1,894,559	1,835,774	(58,785)
Reserve	15,000	584,673	0	(584,673)
	<u>\$7,028,769</u>	<u>\$8,047,993</u>	<u>\$7,573,034</u>	<u>(\$474,959)</u>

Reconciliation to GAAP Basis Revenues:

Change in Interagency Receivable	(123,831)
Change in Accounts Receivable	(17,558)
Change in Deferred Revenue	31,624
Total GAAP Revenues	<u>\$7,463,269</u>

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Personnel Costs	\$5,439,828	\$5,576,079	\$5,251,971	\$324,108
Operating	1,573,941	1,736,739	1,813,942	(77,203)
Capital Outlay	15,000	735,175	581,459	153,716
Trustee Benefits	0	0	0	0
Total Expenditures	<u>\$7,028,769</u>	<u>\$8,047,993</u>	<u>\$7,647,372</u>	<u>\$400,621</u>

Reconciliation to GAAP Basis Expenditures:

Change in Accounts Payable	44,334
Change in Payroll Payable	25,821
Change in Prepaid Expense	(45,028)
Total GAAP Expenditures	<u>\$7,672,499</u>

The accompanying note is an integral part of these financial schedules.

STATE OF IDAHO
SOUTHEASTERN DISTRICT HEALTH DEPARTMENT (VI)
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State	\$1,254,700	\$1,265,700	\$1,265,700	\$0
County	915,396	915,396	912,014	(3,382)
Contracts	2,630,855	3,063,201	2,946,457	(116,744)
Fees and Miscellaneous	615,239	609,330	650,765	41,435
Interest	0	87,633	140,794	53,161
Home Health	1,916,522	1,924,263	1,831,257	(93,006)
Reserve	74,251	909,881	0	(909,881)
	<u>\$7,406,963</u>	<u>\$8,775,404</u>	<u>\$7,746,987</u>	<u>(\$1,028,417)</u>

Reconciliation to GAAP Basis Revenues:

Change in Interagency Receivable	(18,059)
Change in Accounts Receivable	31,443
Change in Deferred Revenue	12,494
Total GAAP Revenues	<u>\$7,772,865</u>

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Personnel Costs	\$5,778,924	\$5,878,604	\$5,612,907	\$265,697
Operating	1,538,789	1,887,550	1,861,004	26,546
Capital Outlay	89,250	1,009,250	88,756	920,494
Trustee Benefits	0	0	0	0
Total Expenditures	<u>\$7,406,963</u>	<u>\$8,775,404</u>	<u>\$7,562,667</u>	<u>\$1,212,737</u>

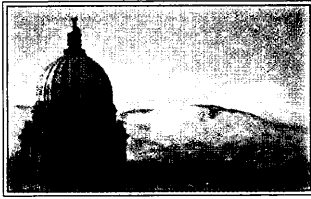
Reconciliation to GAAP Basis Expenditures:

Change in Accounts Payable	(13,362)
Change in Payroll Payable	9,937
Change in Prepaid Expense	30,542
Total GAAP Expenditures	<u>\$7,589,784</u>

The accompanying note is an integral part of these financial schedules.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Each of the District's counties has a representative who serves on the Budget Committee. The District board will submit the budget to the Budget Committee. The budget is prepared on a cash basis. The budget for the District shall be approved by a majority of the Budget Committee. Any adjustments to the budget are approved by the Board of Health.



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

July 28, 2006

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance
With Government Auditing Standards

Joint Finance-Appropriations Committee
of the Idaho State Legislature
State Capitol Building
Statehouse Mail

Senators and Representatives:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Southeastern District Health Department (VI) as of and for the years ended June 30, 2004 and 2005, and have issued our report thereon dated July 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance as to whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Ray Ineck, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

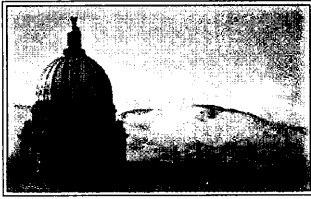
We noted certain matters that we have reported to the management of the District in a separate letter dated September 19, 2006.

This report is intended solely for the information and use of the Southeastern District Health Department (VI) and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

Yours truly,

A handwritten signature in black ink, appearing to read "Ray Ineck". The signature is fluid and cursive, with the first name "Ray" and last name "Ineck" clearly distinguishable.

Ray Ineck, CGFM
Manager, Legislative Audits Division



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

July 28, 2006

Independent Auditor's Report on Compliance With
Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in
Accordance With OMB Circular A-133

Joint Finance-Appropriations Committee
of the Idaho State Legislature
State Capitol Building
Statehouse Mail

Senators and Representatives:

Compliance

We have audited the compliance of the Southeastern District Health Department (VI) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended June 30, 2004 and 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements, and performing such other procedures that we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2004 and 2005.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Ray Ineck, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

Statehouse, P.O. Box 83720
Boise, Idaho 83720-0054

Tel: 208-334-2475
www.legislature.idaho.gov

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct, material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on the internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grant agreements, caused by error or fraud that would be material in relation to a major federal program being audited may occur, and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management of the Southeastern District Health Department (VI), and the federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Yours truly,

A handwritten signature in black ink, appearing to read "Ray Ineck". The signature is written in a cursive, flowing style.

Ray Ineck, CGFM
Manager, Legislative Audits Division

STATE OF IDAHO
SOUTHEASTERN DISTRICT HEALTH DEPARTMENT (VI)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2005

Federal Grantor/ Program Title	Federal CFDA Number	Contract Number	Contract Period	Contract Amount	Federal Expenditures FY04	Federal Expenditures FY05	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE							
Pass Through State Department of Health and Welfare							
WIC Administration	10.557	HC386500	10/1/02 - 9/30/03	\$755,003	176,475	\$0	\$176,475
WIC Administration	10.557	HC419600	10/1/03 - 9/30/04	757,014	531,632	225,382	757,014
WIC Administration	10.557	HC475900	10/1/04 - 9/30/05	847,670	0	628,988	628,988
WIC Food Vouchers (Non-Cash)	10.557	none	none	none	2,931,563	3,028,392	5,959,955
					3,639,670	\$3,882,762	\$7,522,432
TOTAL U.S. DEPARTMENT OF AGRICULTURE					3,639,670	\$3,882,762	\$5,959,955
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	IDH990025-07	7/1/03 - 6/30/04	35,275	33,656	\$0	\$33,656
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	IDHO30006	7/1/04 - 6/30/05	16,682	0	16,017	16,017
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					33,656	\$16,017	\$49,673
U.S. DEPARTMENT OF TRANSPORTATION							
Office of Highway Safety	20.600	MOA	7/17/03 - 8/22/03	1,300	671	\$0	\$671
Office of Highway Safety	20.600	SD40624	10/1/03 - 9/30/04	14,750	0	13,996	13,996
Office of Highway Safety	20.600	MOA	2/1/04 - 9/30/04	6,000	0	6,000	6,000
Child Passenger Protection Education	20.600	SD4J316	10/1/03 - 9/30/04	7,500	2,379	3,577	5,956
OHS Seat Belt Surveys	20.600	MOA	6/6/04 - 7/11/04	1,430	0	630	630
TOTAL U.S. DEPARTMENT OF TRANSPORTATION					3,050	\$24,203	\$27,253
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Pass Through State Department of Health and Welfare							
Radon Education	66.032	HC405200	7/1/03 - 6/30/04	3,000	2,801	\$0	\$2,801
Radon Education	66.032	HC457600	7/1/04 - 6/30/05	3,000	0	2,474	2,474
Total CFDA 66.032					2,801	\$2,474	\$5,275
Public Drinking Water	66.432	S087	7/1/03 - 6/30/04	60,876	60,865	\$0	\$60,865
Public Drinking Water	66.432	S115	7/1/04 - 6/30/05	67,000	0	66,394	66,394
Total CFDA 66.432					60,865	\$66,394	\$127,259
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY					63,666	\$68,868	\$132,534
U.S. DEPARTMENT OF EDUCATION							
Pass Through State Department of Health and Welfare							
Service Coordinator	84.181	6C049100	4/15/01 - 4/14/05	2,500	501	\$0	\$501
TOTAL U.S. DEPARTMENT OF EDUCATION					501	\$0	\$501
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Pass Through State Department of Health and Welfare							
Health Resources Services Administration (HRSA)	93.003	HC412600	8/31/03 - 8/31/04	391,255	47,088	\$331,096	\$378,184
Health Resources Services Administration (HRSA)	93.003	HC470700	9/1/04 - 8/31/05	390,772	0	57,049	57,049
Total CFDA 93.003					47,088	\$388,145	\$435,233
Tuberculosis - Direct Observed Therapy	93.116	HC393400	1/1/03 - 12/31/03	4,250	3,171	\$0	\$3,171
Tuberculosis - Direct Observed Therapy	93.116	HC435300	1/1/04 - 12/31/04	6,200	4,000	2,200	6,200
Tuberculosis - Direct Observed Therapy	93.116	HC494400	1/1/05 - 12/31/05	8,300	0	3,000	3,000
Total CFDA 93.116					7,171	\$5,200	\$12,371
Family Planning	93.217	HC363400	7/1/02 - 8/31/03	99,288	11,327	\$0	\$11,327
Family Planning	93.217	HC409700	9/1/03 - 6/30/06	214,930	57,109	79,201	136,310
Total CFDA 93.217					68,436	\$79,201	\$147,637

STATE OF IDAHO
SOUTHEASTERN DISTRICT HEALTH DEPARTMENT (VI)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2005

Federal Grantor/ Program Title	Federal CFDA Number	Contract Number	Contract Period	Contract Amount	Federal Expenditures FY04	Federal Expenditures FY05	Total Federal Expenditures
Adolescent Pregnancy Prevention	93.235	HC374900	10/1/02 - 9/30/03	\$43,659	4,366	\$0	\$4,366
Adolescent Pregnancy Prevention	93.235	HC422900	10/1/03 - 2/28/05	58,659	39,293	19,366	58,659
Adolescent Pregnancy Prevention	93.235	HC496800	3/1/05 - 9/30/05	20,000	0	15,580	15,580
Total CFDA 93.235					43,659	\$34,946	\$78,605
Immunization Services	93.268	HC390300	1/1/03 - 12/31/03	155,133	13,306	\$0	\$13,306
Immunization Services	93.268	HC431700	1/1/04 - 12/31/04	93,858	46,929	46,926	93,855
Immunization Services	93.268	HC493500	1/1/05 - 12/31/05	92,162	0	41,082	41,082
Domestic Violence	93.268	agreement	N/A	6,181	3,061	0	3,061
State Supplied Vaccine (Non-Cash)	93.268		7/1/03 - 6/30/05		300,537	281,083	581,620
Total CFDA 93.268					363,833	\$369,091	\$732,924
Asthma	93.283	HC385700	11/1/02 - 9/30/03	15,140	3,181	\$0	\$3,181
Asthma	93.283	HC420500	9/30/03 - 9/29/04	11,455	11,455	0	11,455
Asthma	93.283	HC463400	9/1/04 - 8/31/05	11,500	0	10,158	10,158
Tobacco Prevention Program	93.283	HC403200	7/1/03 - 6/30/04	71,430	61,293	0	61,293
Tobacco Prevention Program	93.283	HC460300	7/1/04 - 6/30/05	51,430	0	51,430	51,430
Bioterrorism	93.283	HC365900	2/15/02 - 8/30/03	397,479	76,175	0	76,175
Bioterrorism	93.283	HC411900	8/31/03 - 8/30/04	410,003	329,640	65,762	395,402
Bioterrorism	93.283	HC470100	8/31/04 - 8/30/05	456,452	0	319,861	319,861
Bioterrorism Surveillance and Epidemiology	93.283	HC370100	7/1/02 - 8/30/03	69,632	38,915	0	38,915
Bioterrorism Surveillance and Epidemiology	93.283	HC418800	8/31/03 - 8/30/04	79,508	45,856	18,071	63,927
Bioterrorism Surveillance and Epidemiology	93.283	HC471900	8/31/04 - 8/30/05	92,857	0	64,903	64,903
Communicable Disease	93.283	HC407900	7/1/03 - 6/30/04	41,075	41,075	0	41,075
Communicable Disease	93.283	HC462000	7/1/04 - 6/30/05	41,580	0	41,580	41,580
West Nile Virus	93.283	HC406000	7/1/03 - 10/31/03	4,300	2,430	0	2,430
West Nile Virus	93.283	HC452500	5/1/04 - 9/30/04	5,000	321	4,517	4,838
Hepatitis C	93.283	HC401000	6/1/03 - 3/31/04	10,500	8,198	0	8,198
Total CFDA 93.283					618,539	\$576,282	\$1,194,821
Immunization Reminder	93.558	HC405000	7/1/03 - 6/30/04	517,000	72,689	\$22,272	\$94,961
Immunization Reminder	93.558	HC458200	7/1/04 - 6/30/05	82,162	0	66,978	66,978
Governor's Grant - Opening Windows	93.558	CCC312	10/1/03 - 8/31/04	1,974	1,974	0	1,974
Governor's Grant - Community Collaboration	93.558	CCC326	10/1/03 - 8/31/04	4,975	210	4,757	4,967
Governor's Grant - Community Collaboration	93.558	KC197600	9/1/04 - 8/31/05	4,990	0	519	519
Health and Safety	93.558	6C040500	10/1/99 - 9/30/04	517,000	71,686	15,712	87,398
Health and Safety	93.558	6C057600	10/1/04 - 9/30/08	300,009	0	56,255	56,255
Total CFDA 93.558					146,559	\$166,493	\$313,052
Day Care Site Visits	93.575	WC038900	7/1/02 - 6/30/06	521,809	90,860	\$93,551	\$184,411
Total CFDA 93.575					90,860	\$93,551	\$184,411
Child Find Contract	93.778	6C051300	7/1/01 - 9/30/03	89,100	9,900	\$0	\$9,900
Child Find Contract	93.778	6C056100	10/1/03 - 3/31/06	168,300	29,700	39,600	69,300
Total CFDA 93.778					39,600	\$39,600	\$79,200
HIV Care	93.917	HC397900	4/1/03 - 3/31/04	20,506	14,963	\$0	\$14,963
HIV Care	93.917	HC450000	4/1/04 - 3/31/06	41,734	4,977	20,216	25,193
Total CFDA 93.917					19,940	\$20,216	\$40,156
Ryan White HIV Planning Grant	93.918		7/1/03 - 6/30/04	2,880	2,880	\$0	\$2,880
Total FDA 93.918					2,880	\$0	\$2,880
Breast and Cervical Cancer Prevention	93.919	HC402000	7/1/03 - 6/30/04	80,306	80,306	\$0	\$80,306
Breast and Cervical Cancer Prevention	93.919	HC458600	7/1/04 - 6/30/05	53,060	0	46,598	46,598
Total CFDA 93.919					80,306	\$46,598	\$126,904
HIV	93.940	HC392000	1/1/03 - 12/31/03	51,578	2,580	\$0	\$2,580
HIV	93.940	HC425900	1/1/04 - 12/31/04	58,730	6,175	25,282	31,457
HIV	93.940	HC491100	1/1/05 - 12/31/05	68,296	0	26,058	26,058
Total CFDA 93.940					8,755	\$51,340	\$60,095

STATE OF IDAHO
SOUTHEASTERN DISTRICT HEALTH DEPARTMENT (VI)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2005

Federal Grantor/ Program Title	Federal CFDA Number	Contract Number	Contract Period	Contract Amount	Federal Expenditures FY04	Federal Expenditures FY05	Total Federal Expenditures
Diabetes	93.988	HC398700	4/7/03 - 3/31/04	\$16,527	12,010	\$0	\$12,010
Diabetes	93.988	HC451000	4/1/04 - 3/29/05	16,466	2,470	13,996	16,466
Diabetes	93.988	HC497600	4/1/05 - 3/29/06	15,500	0	3,592	3,592
Total CFDA 93.988					14,480	\$17,588	\$32,068
Injury Prevention	93.991	HC336000	10/1/02 - 9/30/03	50,835	12,506	\$0	\$12,506
Injury Prevention	93.991	HC408500	10/1/03 - 9/30/04	48,614	37,099	10,986	48,085
Injury Prevention	93.991	HC487900	10/1/04 - 9/30/05	36,617	0	31,284	31,284
Total CFDA 93.991					49,605	\$42,270	\$91,875
Child Special Health Programs	93.994	HC384800	10/1/02 - 9/30/03	202,771	93,146	\$10,980	\$104,126
Epi Enhancement	93.994	HC387800	10/1/02 - 9/30/03	24,749	1,434	0	1,434
Epi Enhancement	93.994	HC421400	10/1/03 - 9/30/04	25,307	21,052	4,255	25,307
Epi Enhancement	93.994	HC477400	10/1/04 - 9/30/05	25,634	0	20,220	20,220
Oral Health	93.994	HC375600	10/1/02 - 9/30/03	21,548	2,643	0	2,643
Oral Health	93.994	HC418200	10/1/03 - 9/30/04	26,737	25,774	963	26,737
Oral Health	93.994	HC478600	10/1/04 - 9/30/05	29,789	0	25,507	25,507
Body Mass Index Training	93.994	HC490300	1/1/05 - 12/31/05	13,750	0	2,658	2,658
Total CFDA 93.994					144,049	\$64,583	\$208,632
Family Planning	93.996	HC384200	10/1/02 - 9/30/03	84,000	21,000	\$0	\$21,000
Family Planning	93.996	HC410500	10/1/03 - 9/30/06	252,000	63,000	84,000	147,000
Total CFDA 93.996					84,000	\$84,000	\$168,000
Sexually Transmitted Disease	93.977	HC392000	1/1/03 - 12/31/03	51,578	3,560	\$0	\$3,560
Sexually Transmitted Disease	93.977	HC425900	1/1/04 - 12/31/04	58,730	7,500	18,848	26,348
Sexually Transmitted Disease	93.977	HC491100	1/1/05 - 12/31/05	68,296	0	20,060	20,060
Total CFDA 93.977					11,060	\$38,908	\$49,968
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					1,840,820	\$2,118,012	\$3,958,832
TOTAL EXPENDITURES OF FEDERAL AWARDS					5,581,363	\$6,109,862	\$11,691,225

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE #1

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

The CFDA refers to the *Catalog of Federal Domestic Assistance*, which is a government-wide list of individual federal programs. Federal award programs for which we could not determine a number are identified with the first two digits that identify the federal grantor department, followed by ".999."

NOTE #2

WIC FOOD VOUCHERS

The District determines eligibility for the Women, Infants and Children (WIC) program. Within the WIC program, the District distributes food checks to clients and controls unissued food checks. The Idaho Department of Health and Welfare issues and redeems food checks, controls the food checks issued, and reviews program compliance. The value of the food checks redeemed through the Idaho Department of Health and Welfare during fiscal years 2004 and 2005 was \$2,931,563 and \$3,028,392, respectively.

NOTE #3

VALUE OF VACCINE SERUM

The District administers vaccines free of charge to children 18 years of age or younger. The District determines whether the vaccine recipient is eligible to receive the vaccine under the Federal Immunization Grant. The vaccine serums are ordered by the Idaho Department of Health and Welfare, and delivered to the District as needed. The vaccine serum value supplied by the State Health and Welfare Department was \$300,537 in fiscal year 2004 and \$281,083 in fiscal year 2005.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section I – Summary of Auditor's Results

Basic Financial Statements

1. The independent auditor's report on the basic financial statements expressed an unqualified opinion.
2. The audit of the basic financial statements did not disclose reportable conditions or material weaknesses in the internal control over financial reporting.
3. The audit did not disclose any instances of noncompliance considered material to the basic financial statements.

Federal Awards

4. The audit did not disclose any reportable conditions in internal control over major programs.
5. The independent auditor's report on compliance for major programs expressed an unqualified opinion for all major programs.
6. The audit did not disclose any findings that must be reported in accordance with criteria in Section 510a of *OMB Circular A-133* provisions.
7. Major programs are listed below:

<u>Program Title</u>	<u>CFDA Number</u>
WIC (Women, Infants, and Children)	10.557
Public Health Preparedness (Health Resource Service Administration - HRSA)	93.003

8. The dollar threshold used to distinguish between Type A and Type B programs was \$350,737.
9. The Southeastern District Health Department (VI) did qualify as a low-risk auditee as defined by *OMB Circular A-133*.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section II – Financial Statement Findings and Recommendations

NONE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section III – Federal Award Findings and Questioned Costs

NONE

APPENDIX

HISTORY

The following is a chronological history of the basic health care services that the State has provided to the public.

1907 – The State Board of Health and counties that had local boards of health were statutorily authorized joint responsibility for public health.

1947 – A public health district law was enacted that permitted two or more counties to establish a public health district. Participation in the forming of the health districts was voluntary.

1970 – The legislature established a law that created seven mandatory public health districts. In the Southeastern District Health Department (VI), the counties designated were Bannock, Bear Lake, Bingham, Butte, Caribou, Franklin, Oneida, and Power. The director of the State Department of Health and Welfare was designated fiscal officer for the various districts.

1976 – Legislative intent was expressed that the health districts are not State agencies, and that they be recognized as authorized governmental entities.

1986 – Idaho Code was amended to allow district health departments to promulgate rules and regulations without the State Board of Health's approval.

1993 – The legislature clarified the need for health districts to use the Idaho Administrative Procedures Act for fees and rules.

PURPOSE

The purpose of the District is to prevent disease, disability, and premature death, and to protect and promote the health and quality of our environment.

STATUTORY AUTHORITY

The statutory authority for the District is found in Idaho Code, Title 39, Chapter 4.

ORGANIZATION

The District is supervised by an eight-member board appointed by the county commissioners of the counties served, plus one physician member of the board as allowed by Idaho Code, Section 39-411. Board members serve staggered five-year terms, and are reimbursed \$50 per working day plus all necessary travel

expenses. The board appoints a director to administer and manage day-to-day activities of the District. Physicians provide medical consulting services to the District.

The District is organized into five major sections:

1. Administration – Provides support to the District's other sections (budget, accounting, and government services).
2. Family and Community Health – Provides services such as immunizations, family planning, sexually transmitted disease/HIV prevention and control, tuberculosis control services, nutrition, school health, breast and cervical cancer screening, infant and toddler developmental screening, prenatal education, and HIV case management services.
3. Environmental Health – Provides licensing, inspection, investigation, and monitoring services at food establishments, day care centers, public swimming pools, water systems, sewage systems, and solid waste sites. This section also investigates disease occurrences and public health nuisances.
4. Home Health – Provides in-home skilled nursing, therapy and aide services to patients who require intermittent care to stay comfortable and safe at home. This division also provides in-home hospice services to the terminally ill.
5. Health Promotion – Provides community health promotion services including risk reduction and education related to smoking cessation, tobacco prevention, epidemiology, diabetes, abstinence, dental health, asthma, public health preparedness, and injury prevention. This section also supports the other sections' health promotion needs and general public awareness of public health issues.

The District has a central office in Pocatello and seven satellite offices in American Falls, Arco, Blackfoot, Malad, Montpelier, Preston, and Soda Springs. An organizational chart is included with this report.

As of June 30, 2006, the District had 134 employees. Of these, 29 worked in Administration, 56 in Family and Community Health, 8 in Environmental Health, 28 in Home Health, and 13 in Health Promotion.

STAFFING

FUNDING

Financing for the District comes from State General Fund appropriations; county contributions; contracts from federal, State, and private vendors; fees for providing client services; receipts received from the sale of septic system permits; fees for mortgage survey services; fees from subdivision plan reviews; and the sale of supplies. Also, some revenue is generated from donations and contributions. The amount included in the District's General Fund appropriation request is determined by Idaho Code, Section 39-425. The Idaho State Legislature sets the District's General Fund appropriation, which can be more or less than the amount requested.

The District also receives funds from contracts with the Idaho Department of Health and Welfare, cities, and other governmental agencies. Funds also come from clients who receive public health services, and from others for environmental inspections and licenses.

SOUTHEASTERN DISTRICT HEALTH DEPARTMENT

